

**REPORT OF THE AUDIT OF THE
TRIGG COUNTY
SHERIFF**

**For The Year Ended
December 31, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE TRIGG COUNTY SHERIFF

**For The Year Ended
December 31, 2009**

The Auditor of Public Accounts has completed the Trigg County Sheriff's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees increased by \$226,510 from the prior year, resulting in excess fees of \$227,070 as of December 31, 2009. Revenues decreased by \$72,823 from the prior year and expenditures decreased by \$299,333.

Report Comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Should Remit \$599 In Excess Fees To The Fiscal Court

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Stan Humphries, Trigg County Judge/Executive
The Honorable Randy Clark, Trigg County Sheriff
Members of the Trigg County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the Sheriff of Trigg County, Kentucky, for the year ended December 31, 2009. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 7, 2010 on our consideration of the Trigg County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Stan Humphries, Trigg County Judge/Executive
The Honorable Randy Clark, Trigg County Sheriff
Members of the Trigg County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Should Remit \$599 In Excess Fees To The Fiscal Court

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Trigg County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

December 7, 2010

TRIGG COUNTY
 RANDY CLARK, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

U. S. Corps of Engineers - Lake Patrol	\$	16,016	
State - Kentucky Law Enforcement Foundation Program Fund			18,631
State Fees For Services:			
Sheriff Security Service			37,543
Circuit Court Clerk:			
Fines and Fees Collected			3,206
Fiscal Court			96,671
County Clerk - Delinquent Taxes			2,974
Commission On Taxes Collected			243,407
Fees Collected For Services:			
Auto Inspections	\$	5,975	
Accident and Police Reports		489	
Serving Papers		15,112	
Carrying Concealed Deadly Weapon Permits		3,371	
Animal Control		11,500	
Miscellaneous		2,248	
Sheriff's Fees		28,398	
Advertising Fees		7,200	
			74,293
Interest Earned			438
Borrowed Money:			
State Advancement		70,388	
Bank Note		45,000	
			115,388
Total Revenues			608,567

The accompanying notes are an integral part of this financial statement.

TRIGG COUNTY
 RANDY CLARK, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-		
Deputies' Salaries	\$	135,841
Employee Benefits-		
Employer's Share Social Security		11,595
Materials and Supplies-		
Office Materials and Supplies		3,279
Uniforms		4,579
Auto Expense-		
Gasoline		8,988
Other Charges-		
Training and Travel		1,664
Dues		476
Postage		512
Equipment		5,559
Telephone & Internet		5,218
Deputy Expense		2,275
Advertising		154
Radio Maintenance and Repairs		4,769
Miscellaneous		5,014
	\$	189,923

Debt Service:

State Advancement	70,388	
Notes	45,000	
Interest	2,697	118,085

Total Expenditures 308,008

Less: Disallowed Expenditures

Retirement Party	357	
No Supporting Documentation	40	
Clothing, Not Uniforms	202	599

Total Allowable Expenditures \$ 307,409

The accompanying notes are an integral part of this financial statement.

TRIGG COUNTY
RANDY CLARK, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2009
(Continued)

Net Revenues	\$ 301,158
Less: Statutory Maximum	<u>74,088</u>
Excess Fees Due County for 2009	227,070
Payments to Fiscal Court - Monthly	<u>226,471</u>
Balance Due Fiscal Court at Completion of Audit	<u><u>\$ 599</u></u>

The accompanying notes are an integral part of this financial statement.

TRIGG COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2009

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TRIGG COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies

D. Fee Pooling

The Trigg County Fiscal Court approved a fee pooling system for the Trigg County Sheriff effective July 1, 2009. Under the fee pooling system, revenues net of direct expenses of the County Sheriff's office are paid to the Trigg County Treasurer in the subsequent month. Therefore, the county pays almost all the expenses of the Trigg County Sheriff's office.

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Non hazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Trigg County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

TRIGG COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2009
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Trigg County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Note Payable

The Office of the Sheriff was liable for an unsecured note payable to Bank of Cadiz in the amount of \$45,000 at an interest rate of 6 percent. Purpose of the note was operation of the Sheriff's office. As of December 31, 2009, the principle balance of the note was \$0. The Trigg County Sheriff's Office was in compliance with the terms of the agreement as of December 31, 2009.

Note 5. Payroll Revolving Account

The Trigg County Sheriff maintains a Payroll Revolving Account. Receipts result from payroll withholdings from employees, employees' compensation, and interest. The funds are spent for payroll taxes, payroll deductions, and employees' compensation. The beginning balance of this account was \$10,336. During the year, receipts were \$190,306 and expenditures were \$200,642 for the calendar year 2009. The balance at December 31, 2009 of the Payroll Revolving Account was \$0.

Note 6. Forfeiture Fund

The Trigg County Sheriff maintains a Forfeiture Fund. The account is to be funded by receipts from forfeiture of money and property, and court ordered payments from individuals. The funds are to be used for supplies, equipment, vehicles, and drug awareness programs. The beginning balance of the account was \$341. During the calendar year 2009, receipts were \$1,925 and expenditures were \$1,244. The balance of the Forfeiture Fund at December 31, 2009 was \$1,022.

Note 7. Kentucky Law Enforcement Foundation Program Fund

The Trigg County Sheriff's office participates in the Kentucky Law Enforcement Foundation Program Fund (KLEFPF). This program, administrated by the Kentucky Justice Cabinet, is designed to provide adequate training to the Sheriff's deputies. During the year, the Trigg County Sheriff's office received \$18,631 from this program.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Stan Humphries, Trigg County Judge/Executive
The Honorable Randy Clark, Trigg County Sheriff
Members of the Trigg County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Trigg County Sheriff for the year ended December 31, 2009, and have issued our report thereon dated December 7, 2010. The County Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Trigg County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comment and recommendation, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comment and recommendation to be a material weakness.

- The Sheriff's Office Lacks Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Trigg County Sheriff's financial statement for the year ended December 31, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff Should Remit \$599 In Excess Fees To The Fiscal Court

This report is intended solely for the information and use of management, the Trigg County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

December 7, 2010

COMMENTS AND RECOMMENDATIONS

TRIGG COUNTY
RANDY CLARK, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2009

STATE LAWS AND REGULATIONS:

The Sheriff Should Remit \$599 In Excess Fees To The Fiscal Court

The Trigg County Sheriff's Office currently owes the Fiscal Court \$599 in excess fees for calendar year 2009. KRS 134.310(6) states "the sheriff shall pay to fiscal court any fees, commissions, and other income of his office, including income from investments, which exceed the sum of his maximum salary as permitted by the Constitution and other reasonable expenses, including compensation for deputies and assistants." We recommend the Sheriff comply with KRS 134.310(6) and pay Fiscal Court all excess fees currently due.

Sheriff's Response: No Response.

INTERNAL CONTROL - MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Trigg County Sheriff's office lacks adequate segregation of duties. The same deputy preparing the daily checkout sheet also prepares the daily deposit, takes it to the bank, and posts receipts to the receipts ledger. That deputy also posts expenditures to the disbursements ledger, prepares and has the ability to sign checks and performs the monthly bank reconciliation.

Segregation of duties over daily checkout procedures, deposit preparation, receipts posting, the preparation of checks, and disbursement posting is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. If it is not possible to segregate all functions of the accounting process the implementation of compensating controls will help limit the severity of possible asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately protect against the misappropriation of assets, we recommend the Sheriff separate the duties of preparing the daily deposit from the preparation of the daily checkout, with the deputy preparing the daily checkout sheet accounting for the numerical sequence of issued receipts. Also, the preparation of disbursement checks should be separated from the posting of disbursements to the disbursements ledger and bank reconciliation. If these duties cannot be segregated due to a limited staff, then strong oversight should be provided to the employee or employees responsible for these duties.

During the calendar year, the Sheriff's office has changed to a fee pooling system with the county and therefore payroll and expenditures are now segregated. However, an internal control weakness still exists over receipts and reconciliation.

TRIGG COUNTY
RANDY CLARK, SHERIFF
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2009
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESS: (Continued)

The Sheriff's Office Lacks Adequate Segregation Of Duties (Continued)

We recommend that the following compensating controls be implemented to offset this internal control weakness:

- The Sheriff should periodically compare a daily bank deposit to the daily checkout sheet and then compare the daily checkout sheet to the receipts ledger. Any differences should be reconciled. He could document this by dating and initialing the bank deposit, daily checkout sheet, and receipts ledger.
- The Sheriff should compare the quarterly financial report to receipts and disbursements ledgers for accuracy. Any differences should be reconciled. The Sheriff could document this by dating and initialing the quarterly financial report, and the receipts and disbursements ledger.
- The Sheriff should periodically compare the bank reconciliation to the balance in the checkbook. Any differences should be reconciled. The Sheriff could document this by dating and initialing the bank reconciliation and the balance in the checkbook.

Sheriff's Response: No Response.

